

This letter discusses taxation of vending machines sales and equipment. Please see 86 Ill. Adm. Code 130.2135. (This is a GIL).

February 24, 2004

Dear Xxxxx:

This letter is in response to your letter dated November 22, 2003, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at [www.ILTAX.com](http://www.ILTAX.com) to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

We are in the process of updating our taxability guidelines for our beverage clients in regard to vending and fountain equipment and parts. Following is our fact pattern and questions:

**Fact Pattern:**

Company A is a manufacturer and distributor of non-alcoholic beverage products. Company A also has vending and fountain operations as follow:

1. **Full-Service Vending** – Company A owns and operates the vending machine at various premises. Company A stocks the machines and collects the gross receipts. The premise owner receives a commission on the sales.
2. **Vending Equipment Rentals** – Company A rents vending machines to customers for a monthly rental fee. The customer is responsible for stocking the machine and retains any gross receipts derived.
3. **Vending Equipment Loaner** – Company A loans (no charge) machines to customers who agree to only stock Company A products in their machines. The customer is responsible for stocking the machine. The customer retains all vending receipts.
4. **Fountain Equipment** – Company A loans (no charge) fountain equipment to restaurants and schools who agree to only serve Company A 's products through the equipment. Fountain equipment is equipment which mixes and produces a carbonated soft drink (not

canned product). CO<sub>2</sub> is combined with water and syrup to produce the beverage product served.

**Questions:**

***Full-Service Vending Sales (Gross Receipts)***

- a. Are the gross receipts subject to sales tax? If yes, how is the tax calculated? (i.e. can the tax be backed out since it is included in the vending price? Is there a reduction allowed for the commission amount paid to the premise owner?)
- b. Are there any special food tax rates or exemption for beverage vending transactions?
- c. Are 'fruit juices' subject to tax? If no, are there special requirements as to the amount of real fruit juice in the drink?
- d. At what location rate is 'local' sales tax calculated?
- e. Are there any exemptions from sales tax if the vending machines are located on the premise of an exempt organization?
- f. Are there any special exemptions for vending receipts?

***Full-Service Vending Equipment & Parts (Purchase Transactions)***

- a. Is the purchase of vending equipment, parts or special devices (i.e. coin attachments, etc.) subject to tax?
- b. Are machines and parts that are located on tax exempt entity/organization premises subject to sales tax?
- c. Are there any special exemptions available for vending equipment, parts or devices?

***Vending Equipment Rentals (Rental Receipts)***

- a. Are the receipts received from vending equipment rentals subject to sales tax? If yes, at what location rate is the 'local' sales tax calculated?
- b. Are the receipts received from vending equipment rentals to exempt organizations subject to sales tax?

***Rental Vending Equipment & Parts (Purchase Transactions)***

- a. Is the purchase of vending equipment, parts or special devices (i.e. coin attachments, etc.) subject to tax?
- c. Are machines and parts that are located on tax exempt entity/organization premises subject to sales tax?
- d. Are there any special exemptions available for vending equipment, parts or devices?

***Loaner Vending Equipment & Parts (Purchase Transactions)***

- a. Is the purchase of vending equipment, parts or special devices (i.e. coin attachments, etc.) subject to tax?
- e. Are machines and parts that are located on tax exempt entity/organization premises subject to sales tax?
- f. Are there any special exemptions available for vending equipment, parts or devices?

***Fountain Equipment (Purchase Transactions)***

- a. Does fountain equipment and parts qualify for a manufacturing exemption in your state? If no,
- b. Is the purchase of fountain equipment, parts and devices subject to tax?
- c. Is equipment that is located on tax exempt premises (i.e. school cafeterias, government cafeterias, etc.) subject to tax?
- d. Are there any special exemptions for fountain equipment?

We appreciate your assistance with this inquiry.

Please contact me if you have any additional questions regarding this inquiry. Please reference all applicable statutes and regulations in your written response. Please also note whether your responses are consistent for the prior three-year period (i.e. have there been any legislative or administrative changes).

You requested information regarding vending. Please see 86 Ill. Adm. Code 130.2135.

I hope this information is helpful. If you require additional information, please visit our website at [www.JLTAX.com](http://www.JLTAX.com) or contact the Department's Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

Melanie A. Jarvis  
Associate Counsel

MAJ:msk